

DISPOSAL OF THE BLUE TRAIN

REQUEST FOR EXPRESSIONS OF INTEREST



THE BLUE TRAIN
A WINDOW TO THE SOUL OF SOUTH AFRICA



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Important notice

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This abridged Information Summary has been delivered to interested parties upon the express understanding that such parties will use it only for the purpose set forth below.

1 Introduction

Transnet Limited (“Transnet”) is a diversified transport and logistics group wholly owned by the South African Government. With over 65 000 employees and assets in excess of R70 billion, Transnet seeks to provide integrated, seamless transport solutions for its customers in the bulk and manufacturing sectors as part of the drive to increase the competitiveness of the South African economy.

Transnet is seeking expressions of interest for the disposal of The Blue Train, its luxury tourist train service business (“The Blue Train”). This disposal forms part of the broader Transnet strategy by Transnet of disposing of assets that are not core to its focus as a rail freight, pipeline and port service provider. In doing so, Transnet embarked on and continues in the process of disposing of numerous investments, many of which are valuable and profitable businesses. These include the disposal in the recent past of such interests as:

- the Victoria and Alfred Waterfront Complex in Cape Town, the property development comprising an up market shopping mall, entertainment venues, offices, luxury hotels and exclusive apartments in a residential marina, which has been sold to a British and Dubai-led consortium for US\$1-billion. This disposal process was well received in the international market and resulted in the highest disposal value for a single property asset in South Africa; and
- the sale of certain Transnet assets which formed part of its telecommunications framework, to establish Neotel, the second fixed line telecommunications network provider in South Africa. The successful consortium included international telecommunications providers, and the Tata Group of India.

In addition, Transnet is negotiating on other businesses being sold to key established trade players in the South African private sector.

The disposal of The Blue Train represents a unique opportunity for an acquirer to own and operate part of South African history and a brand name that is recognized throughout the world as synonymous with luxury and elegance. The Blue Train is an ideal tourism asset that will enable the acquirer to capitalize on Southern Africa’s tourist attractions.

The Blue Train has received a variety of accolades, including being awarded the Diners Club International Best Wine List of the Year Award as recently as 2005.

The Blue Train is being disposed of through a competitive public tender process, and Transnet has appointed Standard Bank as its transaction adviser to assist in this disposal.

This document provides an overview of The Blue Train and the disposal process, to enable interested parties to consider pursuing this unique opportunity and, if they so chose, to submit non-binding expressions of interest. In order for interested parties to be considered for inclusion in the shortlist of parties to receive the Information Memorandum document, submissions must include detailed responses to the pre-qualification criteria set out in the Annexure hereto.

KPMG has been appointed by Transnet as an independent adviser to the disposal process. KPMG will report to Transnet on whether the process met the disposal objectives regarding transparency, good governance and consistency as identified by Transnet.

2 Overview of the South African Tourism Sector

2.1 Overview

South Africa is the leading tourist destination on the African continent and is also a key tourist-generating country for the continent, particularly the Southern African Development Community (“SADC”) region. The total number of foreign tourists’ arrivals in South Africa per annum grew from 3,7 million in 1994 to 7,5 million in 2005¹, doubling over the period.

It is anticipated that South Africa is set to break tourism records again¹, with the cumulative tourist travelers for the year from January 2006 to November 2006 at 7,6 million, showing an increase of 13,12% from the year 2005 over the same period. These records far outstrip the rest of the world which average around 4,5% over a similar period, and also put the country’s tourism growth rate at around three times the overall growth rate for international tourism worldwide.

The South African government is looking to tourism to boost its economic growth. Tourism has been identified as a key high-growth potential area in the Government’s Accelerated and Shared Growth Initiative for South Africa (Asgi-SA), which seeks to raise the country’s economic growth rate to 6% and halve unemployment by 2014. As a result of this, considerable efforts and resources are being ploughed by the South African government into promoting tourism locally and abroad.

2.2 Key markets

The total overseas travelers who visited South Africa increased by 10.2% during November 2006 as compared to November 2005. The United Kingdom, Germany, the United States, the Netherlands, France and Australia representing some of the most important overseas markets for South Africa.

Figure 2-1: Major markets and key data

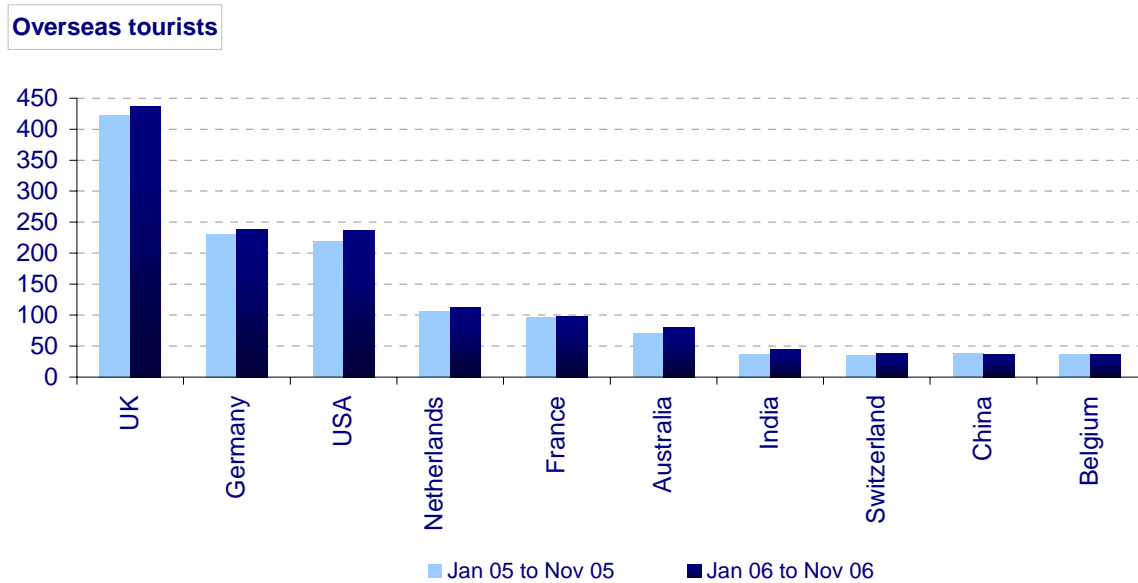
	2005
Average spend in SA per foreign tourist per day (Excluding capital expenditure)	R1,536
Domestic tourism expenditure	R21,2 billion
Tourism contribution to GDP	R124,02 billion (8,15% of GDP)
Average Length of Stay	8 nights
Average number of provinces visited by all foreign tourists	1,41
Most popular provinces	Gauteng, Kwa-Zulu Natal and Western Cape
Direct employment in tourism	478,630

Source: South African Tourism

¹ Statistical release P 0351(November 2006):Tourism and Migration reports – Statistics South Africa

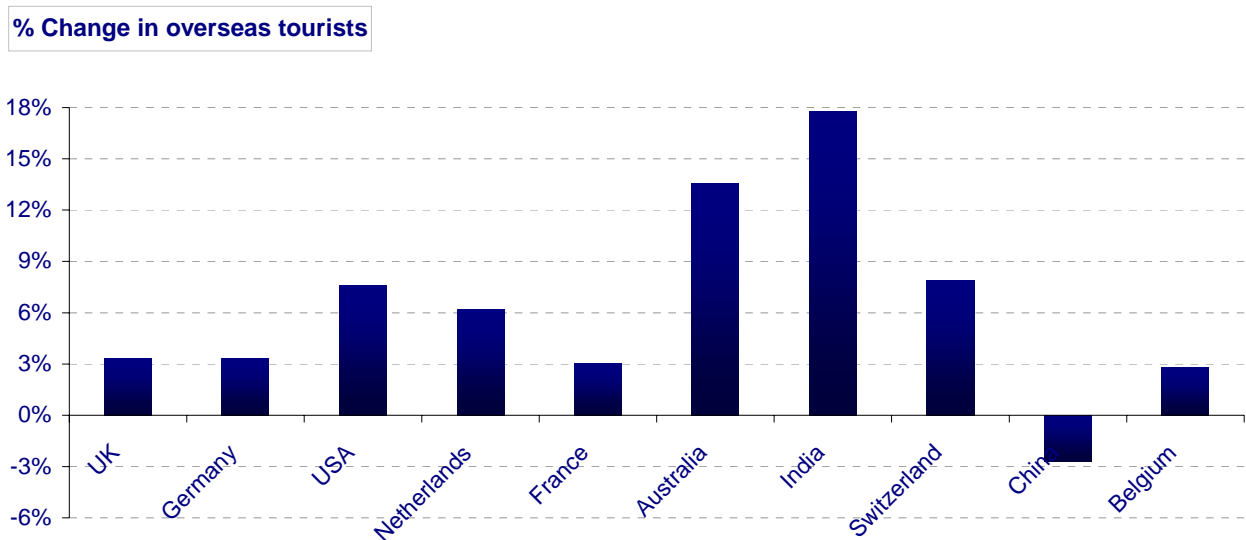
Figure 2.2 below shows the increase in the number of overseas travellers arriving from leading source countries cumulatively for the period January to November for both 2005 and the 2006 with Figure 2.3 showing the percentage change in the number of overseas tourists arriving from foreign countries cumulatively for the period January to November for both 2005 and 2006². The key markets for foreign tourists' arrivals in South Africa are listed below, with Europe and mainly the UK being the major contributor.

Figure 2-2: Overseas tourists from leading source countries



Source: Statistics South Africa

Figure 2-3: Percentage change in overseas tourists from leading source countries

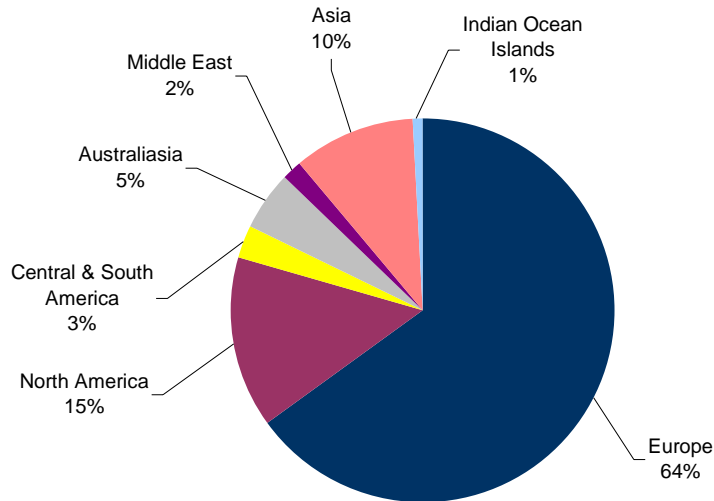


Source: Statistics South Africa

² Statistical release P 0351(November 2006):Tourism and Migration reports – Statistics South Africa

Figure 2-4 reflects an overall view of the source countries from which tourists to South Africa emanated for the period 1 January 2006 to 30 November 2006.

Figure 2-4: Key markets



Source: Statistics South Africa

2.3 South African Tourism growth strategy

The South African Tourism sector has also been boosted by a number of major international events, with much focus on the provision of conference facilities, including the building of international convention centres in the major metropolitan cities, and sporting events.

In 2002, South Africa hosted the World Summit on Sustainable Development (“WSSD”), one of the largest conferences on the planet, which was attended by various countries, political and business leaders. South Africa has also hosted numerous other global sporting events such as the 1995 IRB Rugby World Cup, The African Cup of Nations in 1996, The ICC Cricket World Cup in 2003, the Women’s World Cup of Golf in 2005 and 2006, the only street race in the inaugural A1 Grand Prix World Cup of Motorsport in 2006 and 2007, and in 2010, South Africa will be hosting the 2010 Fédération Internationale de Football Association (“FIFA”) World Cup with an estimated 350,000³ international visitors expected to visit South Africa over the one month period that the tournament is to be held.

Having identified tourism as a major source of income, partly due to some of the reasons listed above, both the international and domestic tourist numbers are expected to increase substantially.

³ 2010 FIFA World Cup South Africa – South Africa information website

As a result, South African Tourism (“Satour”) has developed a four-year tourism growth strategic plan. The plan identifies 5 market segments and the targeted countries within each of those market segments are as shown in Figure 2-5 below.

Figure 2-5: SA tourism strategic plan: 2005 - 2009

	AFRICA & MIDDLE EAST	UK AND AMERICAS	ASIA & AUSTRALASIA	EUROPE	DOMESTIC & REGIONAL
CORE MARKETS	Kenya Nigeria	USA UK	Australia	France Germany Netherlands	Domestic
TACTICAL MARKETS	Tanzania		India		Botswana Lesotho Swaziland
INVESTMENT MARKETS	Angola Mauritius	Canada	China (including Hong Kong) Japan		Mozambique Zambia Zimbabwe
WATCH-LIST MARKETS	Ghana Senegal	Brazil	Malaysia New Zealand Singapore	Belgium Ireland Italy Sweden Switzerland	
STRATEGIC HUBS	Egypt Senegal UAE		Malaysia Singapore		

Source: South African Tourism

3 Overview of The Blue Train

3.1 Services provided on The Blue Train

When you board The Blue Train, you experience what it's like to live like royalty while at the same time feeling grounded as you travel on a state of the art rail suspension system. The Blue Train has an aura of mystique about it. Kings and presidents have traveled on this magnificent moving five-star hotel. Its very name has become synonymous with the ultimate in luxury and personal service.

The Blue Train has been state owned since its inception as Union Limited Trains in the early 1920s. The interior colours of cream and blue were so popular then that it was decided to have Union Limited (Southbound) and Union Express (Northbound) change their exterior colours to same. That was the beginning of the trains being known as "those blue trains" and the trains were officially named as The Blue Train by the then Minister of Transport, Hon. F C Sturrock.

The trains were hauled by steam locomotives over their entire journey, until 1952, from which time they have been hauled by electric locomotives between Johannesburg and Cape Town. After being named The Blue Train and upgraded to a luxury train, there was only one train set in operation. The second luxury train set was introduced in 1972, and then referred to as "Blue Train 72".

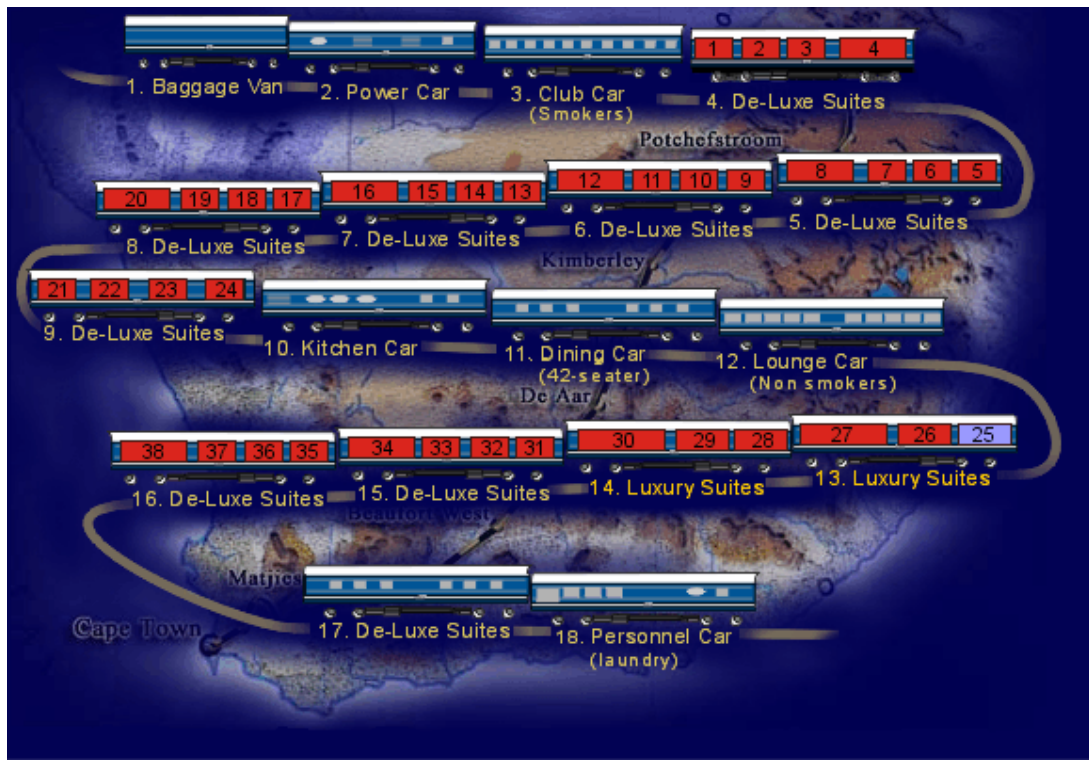
In 1995, Transwerk, a division of Transnet, started refurbishing the 1972 Blue Train sets at a cost of approximately R70 million. After refurbishment of the first train was completed the train was relaunched on 1 August 1997. The second train set was relaunched on 5 October 1998. The new look of the two trains included a move away from one lounge to two lounges per train set; as well as a conference / observation car on the second train set.

Guests on board the service enjoy:

- five-star accommodation (en-suite facilities, all inclusive price, laundry, etc);
- on board dining complemented by bone china, crystal glassware and an excellent selection of South African wines sourced from boutique vineyards;
- personalised butler service;
- views of South African scenery; and
- technological advancement such as Driver's Eye View camera, unique coupling, air-cushion suspension system, and personalised amenities in the suites, including temperature control, TV monitors, automated entertainment system and GPS.

3.2 The coaches

The Blue Train operates two train sets. The first train set is 370 metres long and provides accommodation for 74 guests (37 suites) in ten guest coaches. The second set is approximately 326 meters long and provides accommodation for 58 guests (29 suites) in eight guest coaches as reflected in the pictures below. During 2001 one guest accommodation suite in each train set was converted into a jewellery boutique and memento shop. With spacious suites, cushioned suspension, air-conditioned interior, personalized service and famous South African foods and wines, The Blue Train offers an overwhelmingly indulgent experience.



Two qualified technicians are always on board, and the trains are thoroughly serviced at the Pretoria depot after every return trip. The Blue Train's suspension, braking, lighting and under-floor heating systems have been designed and customized with our guests' comfort as the primary consideration, allowing them to savour the experience of a smooth, pleasurable ride. Every modern convenience, including a telephone service and a choice of digital entertainment channels, serves to make the journey all the more memorable.

Aside from the guest coaches, each train set has the following coaches:

- a lounge car,
- club car (smokers lounge),
- kitchen car,
- 42-seater dining car,
- laundry and personnel car,
- power car which houses the technicians, and
- baggage van.



In addition, the second set, as shown above, also has one observation/conference car which can accommodate up to 22 delegates. When the observation/conference car is not utilised for its primary purpose, it can be converted to an Observation Lounge car.

Guest Suites



Each suite has its own bathroom with either a shower or bath. The luxury suites each have bathrooms fitted with tubs. The De Luxe coaches each have four suites per coach. One of each of the four suites has a bathroom with a bath, while the other three have showers.

The beds have been custom-designed for The Blue Train. A butler pulls them out, already made, from a space in the suite wall, converting the lounge into a comfortable bedroom. White cotton sheets and down duvets are the standard linen throughout the train. Ten of the suites feature double beds on the first train, while there are nine on the second. The luxury suites have hi-fi and audio CD.

Dining Car



The dining car has the reassuring weight of Sheffield cutlery and crystal glassware on crisp white linen set the tone for the delights to follow. As the sky darkens over the landscape, the day's smart-casual dress code gives way to a parade of elegant evening wear or traditional attire, in keeping with The Blue Train's classic livery and earthy African décor.

A meal on The Blue Train is an experience in itself. The menus feature a selection of local cuisine from Karoo lamb and ostrich fillet to Knysna oysters accompanied by award-winning cultivars from the Cape winelands, all serving as the perfect complement to the landscape through which you are travelling.

Lounge Car



Each of The Blue Trains has two lounges; the main lounge car in which high tea is served each afternoon, and the club car where guests can relax over a post-dinner cognac. The club car is the only public area available for smoking.

The Lounge Car is designed as a meeting place for pre-lunch and dinner drinks and afternoon tea and is a no smoking area, while the Club Car is ideal for a post-dinner Cognac or Cuban cigar. The bar opens as soon as the train commences its journey and closes when the last guest departs.

Kitchen Car



The kitchen car is a masterpiece of stainless-steel design. The fully air-conditioned car features walk-in cool rooms and freezers, ensuring that wines and hors d'oeuvres remain at optimum temperatures, allowing for the efficient and effective preparations of meals.

Observation Deck



In addition, the second set also has one observation/conference car which can accommodate up to 22 delegates. When the observation/conference car is not utilised for its primary purpose, it can be converted to an Observation Lounge car.

Boutique car



The boutique on The Blue Train is a treasure trove of gems and minerals as rich as Africa itself. It allows the discerning traveler the opportunity to purchase treasures from South Africa's best designers. The range includes an exquisite collection of wildlife jewellery designed and manufactured by internationally acclaimed jewelers.

3.3 Current state of the train sets

In 2003, The Blue Train set Number One was burnt in a fire accident and was returned to full service, after undergoing repairs, in 2005. Shortly after its return to full service, The Blue Train set Number Two was involved in a collision, leading to extensive damage to all of its 18 carriages. Transwerk, a division of Transnet, was mandated to repair the train set and expect to have a fully operational train set delivered ready for in-service operation by 1 October 2007. As a result, at the most, only one train set has been operational at any given time over the last three years.

Three of the damaged carriages of The Blue Train set Number Two will not be repaired as they were extensively damaged. Instead, to make up a 16 coach train set, one deluxe carriage will be removed from train set Number One to redecorate another carriage to meet the aesthetics of Blue Train set Number Two. As a result, although the pictures above reflect 16 and 18 carriage coaches respectively, the final two Blue Train sets will consist of:

- Blue Train set Number One with 17 carriages (train set currently in-service); and
- Blue Train set Number Two with 16 carriages (train set currently in for repairs and/or rebuilds by Transwerk), due to re-enter full service operation on 1 October 2007.



3.4 Routes

As a result of only one train set being operational, The Blue Train currently offers a scheduled service between Pretoria and Cape Town and currently operates one return trip a week between the two cities. The trip, over a distance of 1 600 kilometres and duration of 27 hours, includes a day and a night on board. In addition, The Blue Train offers some charter services between Pretoria and Hoedspruit (close to the Kruger National Park) and Pretoria and Zimbali Resort (approximately 30 kilometres from Durban on the Natal North Coast).

With the flexibility of both train sets being operational, The Blue Train had offered services on a return trip basis between Cape Town and Port Elizabeth and between Pretoria and Victoria Falls. These routes have proved to be very popular in the past.

There is an intention to open a new route to Maputo in 2008. Maputo, formerly known as Lourenco Marques after a Portuguese explorer who landed there in 1544, is the capital of Mozambique. Located in the far south-west of the country, it is easily accessible from neighbouring Swaziland and South Africa. The city was founded in the 18th century and has wide avenues lined with red acacia and lilac jacaranda flowering trees. The city, a melting pot of several cultures, offers tourists innumerable historical, cultural and scenic spots, elaborate cuisines with abundant seafood, and a number of beautiful islands where a large variety of watersports are available.

3.4.1 The Pretoria – Cape Town Route



Guests board The Blue Train in Pretoria and travel south along the 'golden arc', visible only by the mining shafts in the distance, on the south bound journey into the heartland of the vast expanses of the mysterious Great Karoo, an area of windmills and star filled nights. They proceed in the night and awaken to the sight of vineyards and orchards as they descend through mysterious and beautiful valleys and mountains of the Western Cape, such as Drakenstein, Slanghoek and Elandskloof – this area is dotted with historic Cape Dutch and Flemish homesteads. They proceed towards Cape Town's imposing and instantly recognizable Table Mountain, sentinel and gateway to the African continent. The train finally arrives in the city of Cape Town. Some of the highlights of Pretoria and Cape Town are described below:

- **Pretoria**

Famous for the large population of the Jacaranda trees that line the city streets, Pretoria is the administrative capital of South Africa and home to the Union Buildings. A tourist attraction in itself, the Union Buildings is the official seat of the South African government and houses the offices of the President of South Africa, President Thabo Mbeki. It boasts a number of historical monuments, architectural buildings and museums. The Cullinan diamond, the largest gem diamond ever found, was discovered in the town Cullinan near Pretoria.

- **Cape Town**

Cape Town has a history dating back to the 16th century and also houses the Parliament of South Africa. It is a sophisticated city at the gateway to the majestic African continent, a

place where old and new harmoniously converge. Cape Town has a lot to offer a discerning tourist, including Table Mountain, pearl-white beaches, the meeting point of the Indian and the Atlantic Oceans, old-style fishing boats in Kalk Bay, old Malay slave quarters, Greenmarket Square's famous flea market and the Victoria and Alfred Waterfront.

On the North bound journey, the train passes through the wine-lands of the fertile Hex River valley, in the shadow of imposing mountains, up and inland to the endless sweeping landscapes of the Karoo. At Matjiesfontein, The Blue Train guests are invited for a short ride back in time on a historical London double decker bus. The train stops a while and allows the guest to savour the vastness and the silence of the surrounding plains. After this, guests re-board The Blue Train once more for the journey northward into the interior and into the night, and awaken on the approach to Kimberley. The mining centers on the Gold Reef, and the Jacaranda city – Pretoria are reached close to midday.

3.4.2 Other Routes of The Blue Train

The Blue Train previously ran services on a number of routes, which are now no longer used as a result of only one train having been operational. These routes, as listed below, are however available to a potential acquirer to reconsider rejuvenating:

- Pretoria-Hoedspruit

A wide range of outdoors activities are available, as befits the centrality of Hoedspruit within the tourist hotspot of the Greater Kruger. Local attractions include the Cheetah Breeding Project, the Khamai Reptile Park at Swadini, and the Bombyx Mori Silk Farm. One of the key attractions is the Kruger National Park, an overview of which is summarised below:

- ***Kruger National Park***

The Kruger National Park, which is nearly 2 million hectares of unrivalled diversity of life forms fuses with historical and archaeological sights. The world-renowned Kruger National Park offers a wildlife experience that ranks with the best in Africa. Kruger is home to an impressive number of species: 336 trees, 49 fish, 34 amphibians, 114 reptiles, 507 birds and 147 mammals. Man's interaction with the Lowveld environment over many centuries - from bushman rock paintings to majestic archaeological sites like Masorini and Thulamela - is very evident in the Kruger National Park. These treasures represent the cultures, persons and events that played a role in the history of the Kruger National Park and are conserved along with the park's natural assets.

In addition guests can participate in the following activities:

- hot air ballooning, white water rafting, abseiling and kloofing;
- a Microlight Flying School allows for casual "flips" over the surrounding Big Five (elephant, lion, buffalo, leopard and rhino) reserves or the Blyde River Canyon, and to learn to fly;
- horse riding is available close to town at Offbeat Safaris and Wait-a-Little Safaris on Edeni Reserve; and

- 4x4 driver training takes place on a course near the town centre for those with their own off-road vehicles.

- **Cape Town-Port Elizabeth**

The Garden Route is a popular and scenic stretch of the southern coast of South Africa. It stretches from Mossel Bay in the Western Cape to the Storms River in the extreme eastern reach of the Eastern Cape. It includes towns such as Mossel Bay, which is situated halfway between Cape Town and Port Elizabeth. Blessed with a mild climate, this popular holiday town is surrounded by a sunbathed peninsula and the refreshing waters of the Indian Ocean and is as an ideal winter retreat.

The train also goes through George, Knysna, Oudtshoorn and Plettenberg Bay. George is located at the foot of the Outeniqua Mountains. The George airport connects to and from all the main centres in South Africa and main roads and rail, link with the Klein Karoo hinterland. Knysna is one of the Southern Cape coast's best known holiday destinations, situated between lush forests and the shores of the peaceful lagoon. It offers many activities and attractions of a wide variety, the most well known attraction being the heads - two great sandstone cliffs guarding the mouth of the lagoon which connects the estuary with the sea.

Surrounded by natural beauty, Oudtshoorn is situated at the foot of the majestic Swartberg Mountain range. Numerous rivers, streams and falls have their origins in the Swartberg, Outeniqua and Kamanassie ranges. Originally christened "Bahia Formosa" (beautiful bay) by early Portuguese explorers, Plettenberg Bay can now be accessed by first class national roads, by sea or by scheduled air flights. The great forests lying at the feet of the fabled Outeniqua and Tsitsikamma mountains are the gateway to the incredible indigenous African wealth of Plettenberg Bay, which lies on South Africa's spectacular south coast 210 kms from Port Elizabeth and approximately 600 km from Cape Town.

The Route is sandwiched between the Outeniqua and Tsitsikamma mountains and the Indian Ocean. The Outeniqua and Tsitsikamma indigenous forests are a unique mixture of Cape Fynbos and temperate forest and offer hiking trails and eco-tourism activities. Nearly 300 species of birdlife are to be found in a variety of habitats ranging from fynbos to forest to wetlands. Ten nature reserves embrace the varied ecosystems of the area as well as unique marine reserves, home to soft coral reefs, dolphins, seals and a host of other marine life. Various bays along the Garden Route are nurseries to the endangered Southern Right Whale which come there to calve in the winter and spring (July to December).

Port Elizabeth is situated 260 km from Knysna and approximately 800km from Cape Town. It is known for its sunshine and safe sandy beaches. This major sea port and tourist destination is set along the beautiful shores of Algoa Bay, and is fondly referred to as the Friendly Eco-City. The city is the second largest city in terms of area and the fifth largest in terms of population in South Africa (1.1 million people).

- **Pretoria-Victoria Falls-Pretoria**

This trip has the ultimate in adventure, crossing through South Africa, Botswana and Zimbabwe, and through the famous Hwange Game Park and ending up at one of the most breath-taking sites on earth, the Victoria Falls.

Victoria Falls is the largest single sheet of water in the world, over 100 metres tall, and over one mile wide. The Victoria Falls (or Mosi-oa-Tunya) are situated on the Zambezi River, on the border between Zambia and Zimbabwe and are roughly 1.7km wide and 128m high. They are considered a remarkable spectacle because of the peculiar narrow slot-like chasm into which the water falls, so one can view the falls face-on.

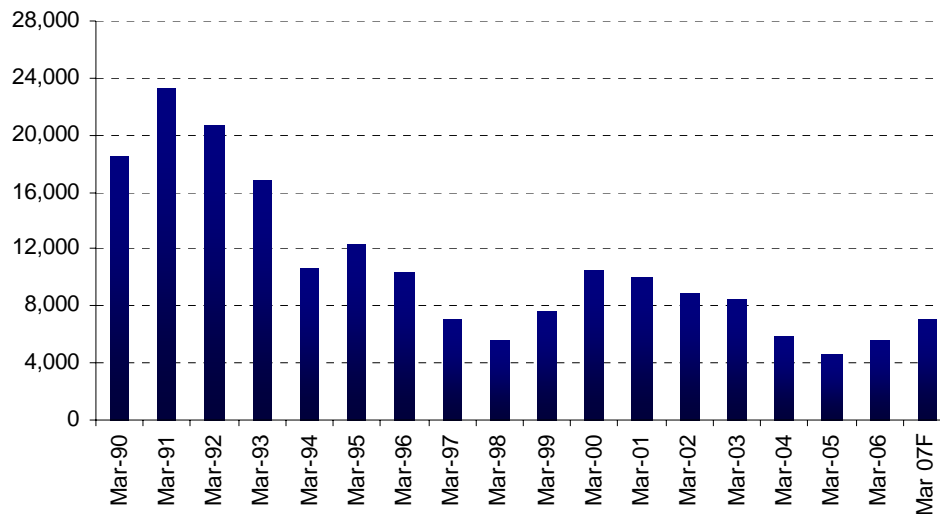
The falls are part of two national parks, Mosi-oa-Tunya National Park in Zambia and Victoria Falls National Park in Zimbabwe, and are one of the world's major tourist attractions and UNESCO World Heritage Site.

3.5 Financial summary

Due to the fire and collision that affected each of the train sets, and its consequential impact on flexibility and accommodation availability, The Blue Train is currently not profitable.

The Blue Train has, however, seen an increase of over 30% in passenger numbers, from just over 4 000 in the financial year ending 31 March 2005 to a projected 5 500 in financial year ending 31 March 2007 as shown in Figure 3-1. This has been driven mainly by increased alliances with tour operators and marketing in Asia.

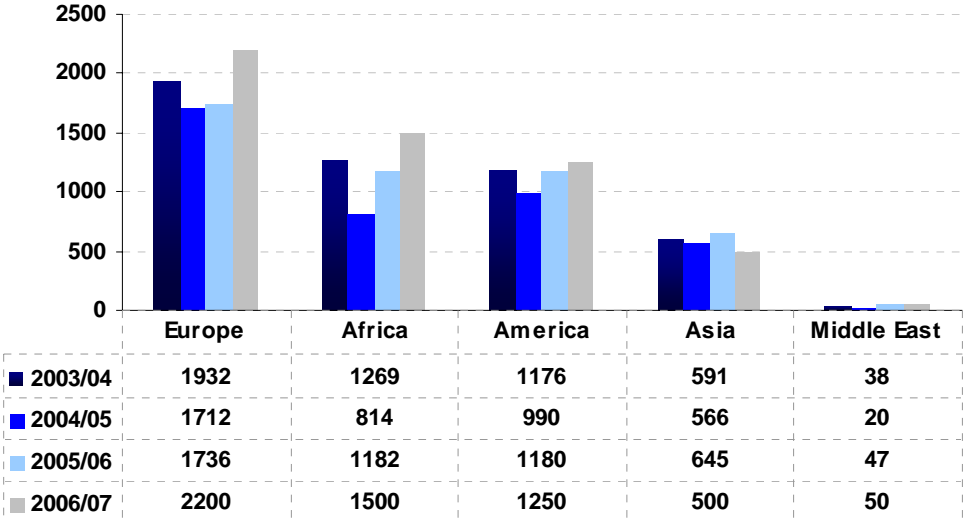
Figure 3-1: Total passenger numbers on The Blue Train



Source: The Blue Train's management

With both trains due to operate from 1 October 2007, there is certainly potential for the financial performance of The Blue Train to be significantly improved further. Additional detailed financial information will be included in the Information Memorandum to be provided to interested parties who pre-qualify to participate in the bidding process.

Figure 3-2: The Blue Train passengers by geographical origin



Source: The Blue Train's management

4 Key Investment Considerations

A number of factors make The Blue Train an attractive asset for investors. These include:

4.1 Access to South African tourism

South Africa is a leading tourist destination on the African continent and is also a key tourist-generating country for the continent, particularly the SADC region, with the total number of foreign tourists' arrivals in South Africa per annum growing from 3,7 million in 1994 to 7,4 million in 2005, doubling over the period. The Blue Train is an ideal tourism asset that provides access to this rapidly growing industry.

4.2 A national asset and internationally recognised brand

The Blue Train is a South African iconic brand representing quality and is synonymous with luxury travel. The Blue Train brand enjoys instant recognition worldwide and is a prestigious symbol for South Africa's railways network.

4.3 Intellectual property

In addition to its registered brand, The Blue Train offers patented design rights on certain aspects of the coaches.

4.4 Limited capital investment required

One of The Blue Train sets was refurbished following a fire in 2003 and commissioned into service in 2005. The other set is currently being repaired following a collision in 2005 and will be commissioned into service in the third quarter of 2007. It is thus estimated that neither train sets will require major refurbishments for the next decade.

4.5 Full complement of staff available on disposal

Whilst only one train set has been operational since 2003, management took a decision not to retrench staff. An investor therefore has the opportunity to be become fully operational once the repaired train is returned to service, without having to conduct recruitment processes prior to delivery of the train. These include hospitality and reservations staff.

4.6 Private sector efficiencies

The Blue Train has not been exposed to the competitive environment, high service levels that characterise the operation of private sector luxury trains, hotel, tourism and leisure companies. In addition, The Blue Train has not received the marketing support required to maximise its financial performance from Transnet since it was not a core business of the group. A skilled hotel, tourism or leisure operator should therefore be able to increase yields and occupancy through enhanced

marketing efforts, fully integrated reservation systems and more effective sales strategies. As such, scope exists for considerable efficiency gains to be achieved.

4.7 Routes

Previously, The Blue Train used to operate a number of established routes which have since ceased due to only one train set being operational since 2003. These routes as well as new routes can be negotiated with the Spoornet National Operations Centre, providing an excellent growth opportunity for the potential acquirer.

5 South Africa as an Investment Destination

5.1 Political Landscape

South Africa is currently in its twelfth year of democratic rule since the end of the apartheid regime. The ANC, under the leadership of Thabo Mbeki, is the dominant political party, having secured the majority of the votes in the three general elections held since 1994. The ANC secured its largest victory to date in the general elections held in 2004, securing more than two-thirds of the vote (the next general election are due to take place in 2009). South Africa is a constitutional democracy with a three tier system of government, a free press and an independent judiciary.

President Mbeki is in his second term, which will also be his last according to the constitution. A new leader for the ANC will be elected at the end of 2007. Under Mbeki's leadership, the South African Government has adopted the principles of a free market economy. The Government seeks to raise the country's economic growth rate to 6% and halve unemployment by 2014 through its Asgi-SA programme. An expanding tax base, a growing economy and a decade of sound fiscal policies have given the South African government the "fiscal space" to massively increase spending on services and infrastructure. The Government's policies aim to redress the economic and social imbalances of the past while building on sound fiscal policies to accelerate the redistribution of wealth and improve social service delivery.

5.2 Economic Landscape

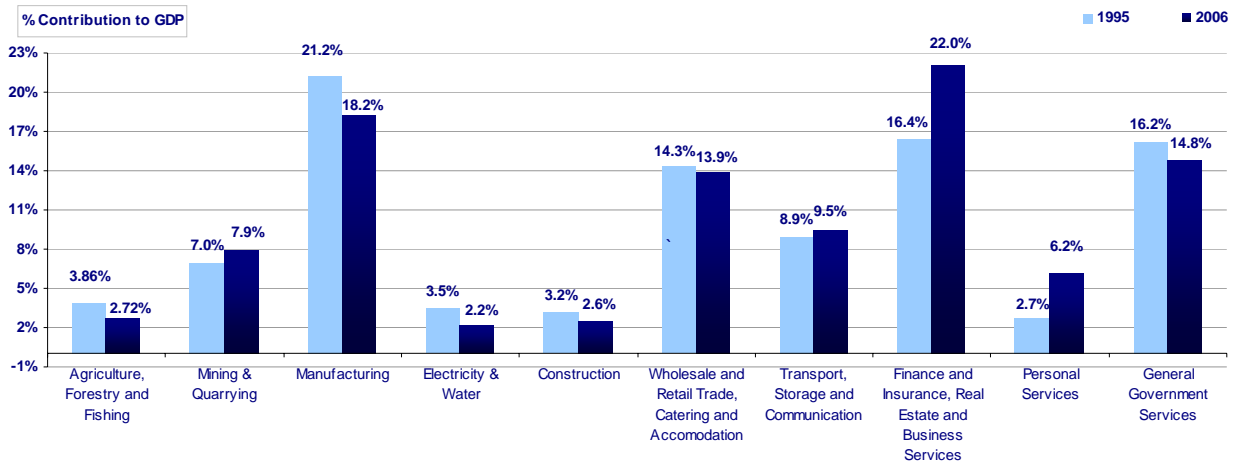
5.2.1 Overview

South Africa, an emerging market economy, has the biggest economy in Africa, with a GDP of over R1,7 trillion per annum⁴.

South Africa has a strong manufacturing sector, a strong physical and economic infrastructure, is richly-endowed in mineral (including gold, platinum metals and coal) and agricultural resources. As a result, these products, which form the bulk of South Africa's exports, have dominated the economy. Figure 5-1 below indicates, however, that over the past 11 years, the economy has shifted towards higher value-added activities such as financial and insurance services which are increasingly contributing to a larger share of the GDP (16,4% in 1995 compared to 22% in 2006).

⁴ Statistics South Africa

Figure 5-1: Contribution to GDP



Source: South African Reserve Bank

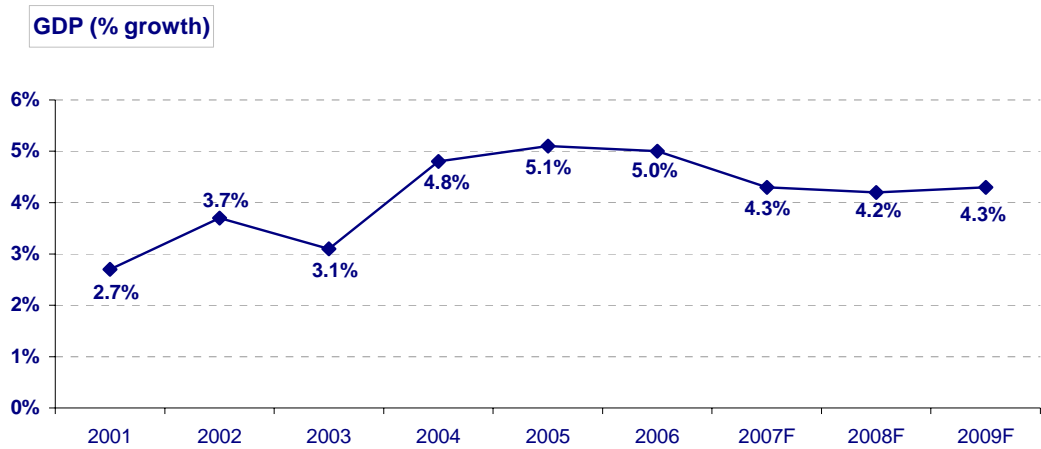
5.2.2 Economic growth

5.2.2.1 Overview

South Africa has experienced strong economic growth, with an average GDP growth of 3,8% over the past 12 years. Over the past two years, the South African economy recorded GDP growth of 5,1% and 5% respectively, the strongest since 1994. This high growth can be attributed to a number of factors including a strong commodities boom, increased consumer spending, higher business confidence, strong domestic demand, a low inflation environment, Black Economic Empowerment initiatives ("BEE") and a gradual dismantling of the South African exchange controls. In addition, a firm commitment by the Government to promote public and private sector investment through its GEAR (Growth, Employment and Redistribution) and Asgi-SA policies have also helped facilitate the strong growth.

South Africa has been experiencing a major economic boom in the past few years, and this boom is expected to continue into the foreseeable future as reflected in the GDP forecast growth in Figure 5-2 below. An expanding tax base, a growing economy and a decade of sound fiscal policies have resulted in South Africa experiencing the first budget surplus in 2006 of 0,6% of GDP post 1994.

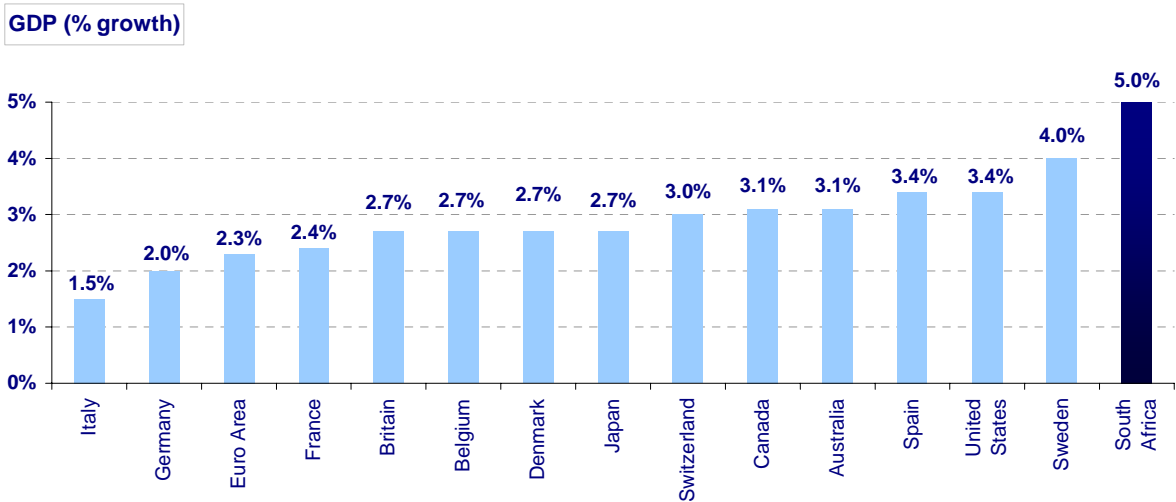
Figure 5-2: South African GDP growth per annum



Source: Economics Intelligence Unit (EIU)

Figure 5-3 below indicates that at the growth rate of 5%, South Africa has experienced GDP growth which is higher than the average GDP growth rate of 2,8% for most developed countries in 2006.

Figure 5-3: 2006 GDP growth comparison

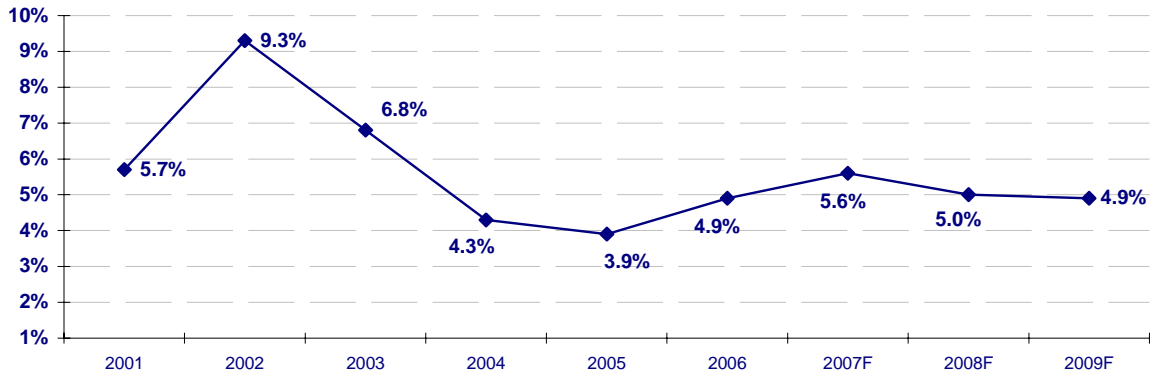


Source: The International Monetary Fund

5.2.2.2 Inflation

The South African Reserve Bank's ("SARB") core responsibilities include the management of inflation. The SARB conducts monetary policy within an inflation targeting framework. The current targets are for average headline CPIX inflation to be within the target range of 3% to 6%. The annual total CPIX has remained within the target band since 2004, as illustrated in Figure 5-4 below.

Figure 5-4: Annual Inflation rate (CPIX)



Source: Standard Bank Economics Research Unit

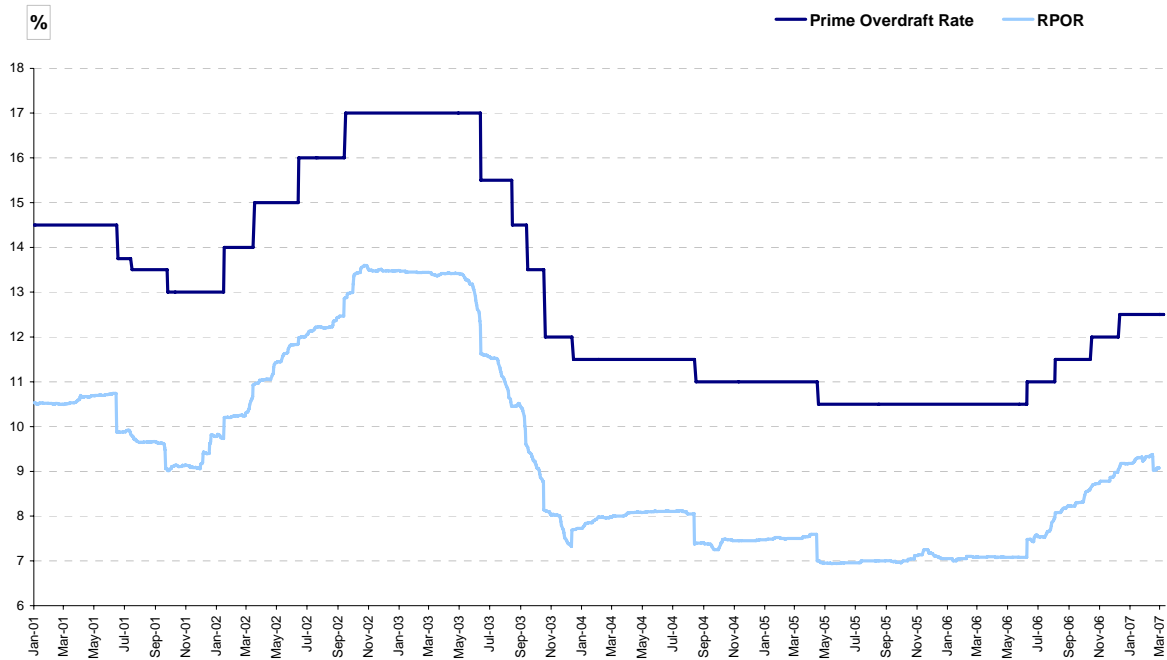
5.2.2.3 Interest Rates

The SARB regards the achievement and maintenance of financial stability in the broad sense of the word that is, including monetary and financial system stability, as its primary goal. The SARB transmits its interest-rate policy to the market by providing refinancing to banks at its Repurchase Rate ("Repo Rate"), which is determined by its Monetary Policy Committee (MPC). To achieve this, an appropriate liquidity requirement has to be maintained in the money market to ensure a demand for refinancing through which the SARB can influence market rates. In addition to levying a cash-reserve requirement on banks, liquidity is drained from the money market through open-market operations such as longer-term reverse repos, the outright selling of the SARB's debentures and foreign exchange swaps.

South Africa has experienced a period of major fluctuations in interest rates between November 2001 and November 2003, with the rates reaching highs of close to 14% in the Repo Rate as shown in Figure 5-5 below.

During 2006, the SARB's MPC steadily increased its Repo Rate from 7% in January of 2006 to 9% by December 2006. The SARB has indicated that the reasons for these increases were mainly to ensure that the SARB met its inflation targets, but to also try to curb the rampant consumer spending in the country. These were the first increases since September 2002. In its last MPC meeting in the middle of February 2007 however, the SARB maintained the Repo Rate at 9%, indicating that the consumer spending was showing signs of a slow-down, and this would enable it to remain within its inflation targets.

Figure 5-5: Key interest rates

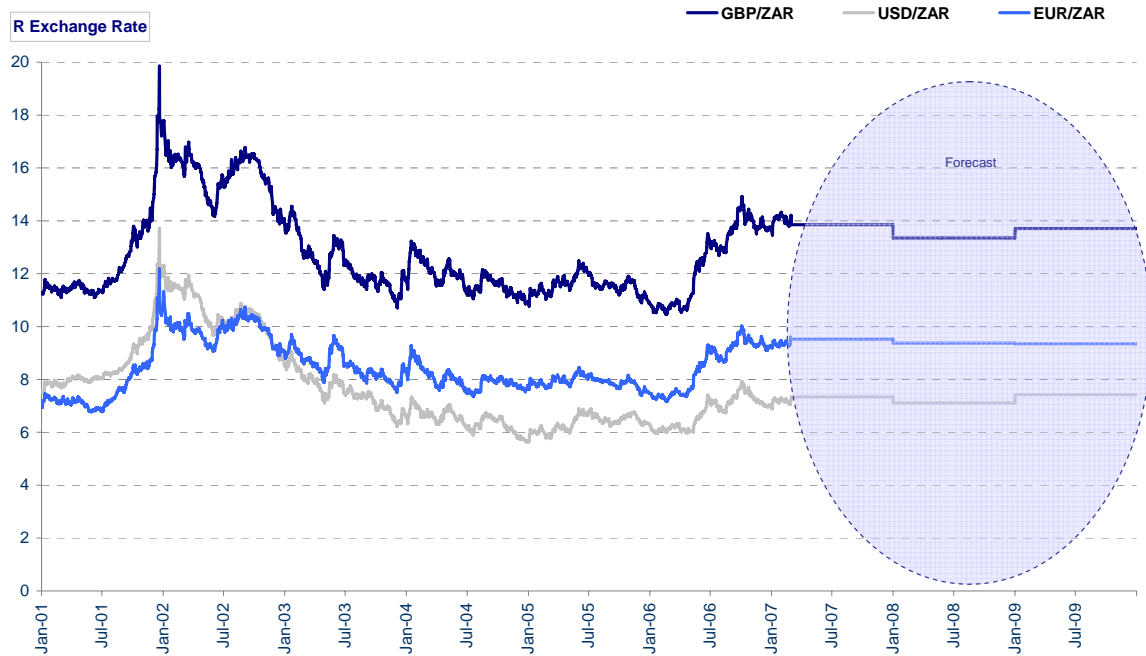


Source: I-net bridge

5.2.2.4 Foreign exchange

The powers, functions, duties and responsibilities for the day-to-day administration of exchange control rest with the SARB. The SARB maintains a floating exchange rate policy and there are no exchange rates targets. South Africa's currency, the Rand, has strengthened and stabilised since 2001 when it reached a low of ZAR13 to 1USD due to, amongst others, sound fiscal management and steps to reduce remaining exchange controls and build appropriate levels of reserves. Although expected to weaken slightly over the mid-term, the forecasts generally indicate a more stable currency outlook. Figure 5-6 indicates the exchange rate of the Rand against the USD, GBP and EUR since January 2001.

Figure 5-6: Rand foreign exchange rates

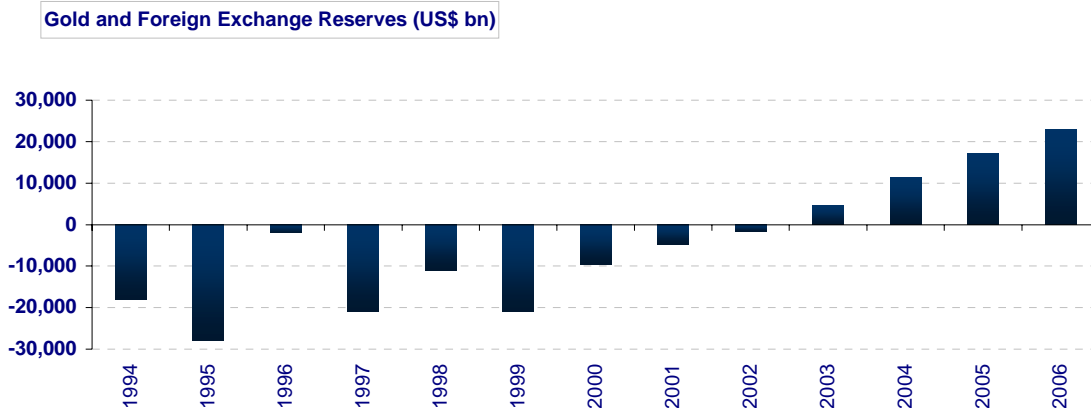


Source: I-net bridge

5.2.2.5 International Reserves and Liquidity

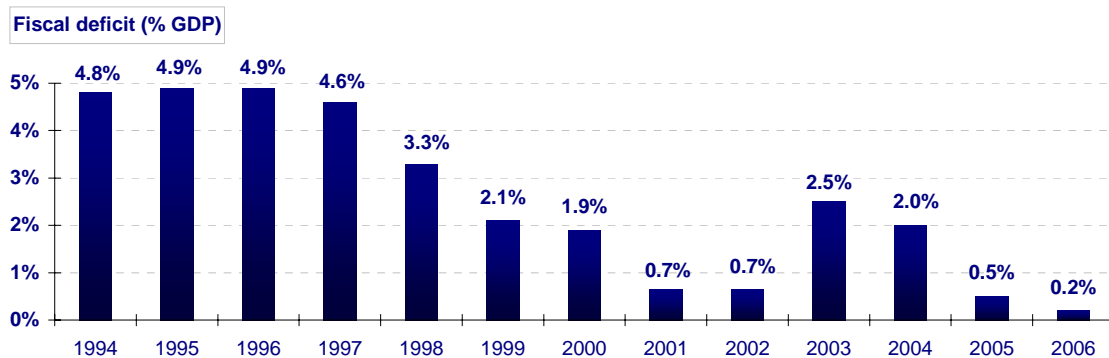
One of the SARB's main objectives is to manage the gold and foreign exchange reserves. Figure 5-7 below shows a consistent increase in the gold and foreign exchange reserves since 2000. The reserves are currently approximately just over \$20 billion. The large increases in the financial account due mainly to a strong commodities boom and the foreign direct and portfolio investments illustrated in Figure 5-9 below has enabled the SARB to comfortably fund the current account deficit as well as reduce fiscal debt as reflected in Figure 5-8 .

Figure 5-7: International liquidity



Source: South African Reserve Bank

Figure 5-8: Fiscal deficit



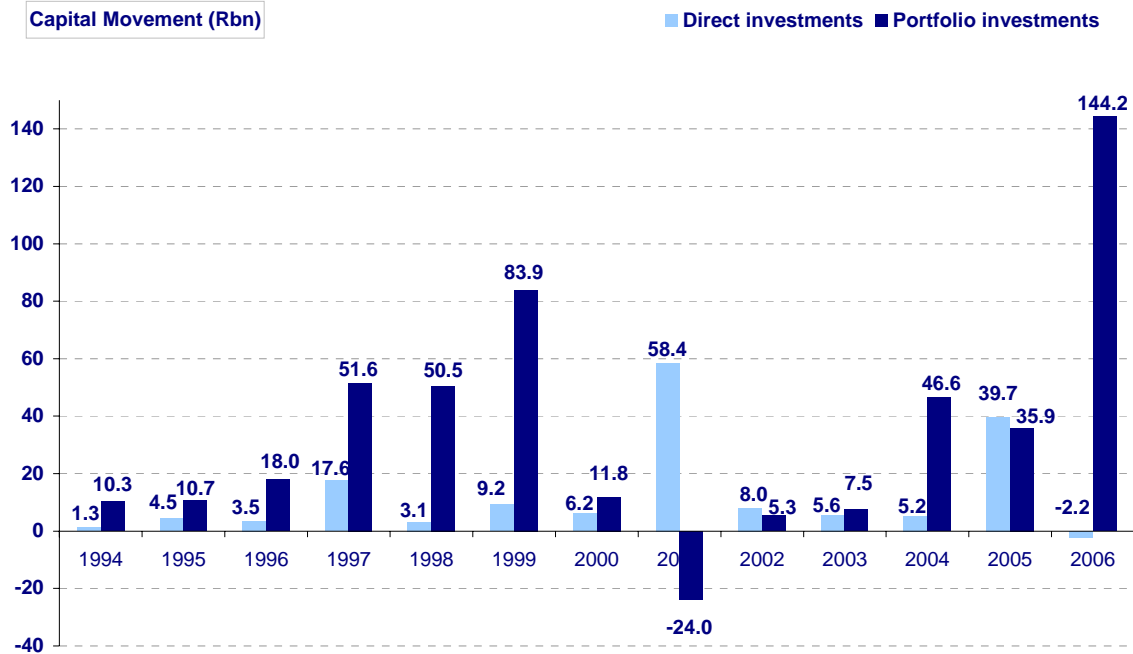
Source: South African Reserve Bank

5.2.3 Financial Account

South Africa has experienced large growth in investments over the 12 years as shown in Figure 5-9 below. Portfolio Investment, which has increased rapidly since 2001 and was at its highest in 2006, has mainly been used to finance South Africa's current account deficit currently at 7,8% of GDP⁵. Investment inflows to South Africa have also become more diversified and are being channeled into a number of different sectors including retail, banking, energy, machinery and mining.

⁵ Statistics South Africa

Figure 5-9: Foreign assets owned in South Africa



Source: South African Reserve Bank

5.2.4 Foreign direct investment

South Africa has experienced a number of large foreign direct investments in the last few years as illustrated in Figure 5-9 above. The 2001 spike in foreign direct investments was attributable to the restructuring of Anglo American Corporation and the De Beers Mining Company. These investments, listed according to size, include:

- **Illovo**

Competition authorities have also recently approved a R3.8 billion offer by British based AB Foods to acquire a 51% stake in JSE-listed Illovo, one of the world's lowest-cost sugar producers.

- **V&A Waterfront**

The British and Dubai-led consortium that bought Cape Town's landmark Victoria & Alfred (V&A) Waterfront for US\$1 billion has indicated that it will spend at least a further US\$1 billion on the development of "Africa's Riviera" ahead of the 2010 FIFA World Cup.

The V&A Waterfront, a world-class mixed-use development near the heart of Cape Town's central business district, attracts up to 22 million visitors a year. Set against a backdrop of sea and mountain views, it mixes shopping and entertainment venues with offices, luxury hotels and exclusive apartments in a residential marina.

- **Vodafone**

In early 2006 the British communications company, Vodafone Plc invested approximately R12.1 billion to acquire an additional 15% stake in South African mobile phone operator, Vodacom, increasing its total stake in Vodacom to 50%.

- **Alcan**

Canadian aluminum firm Alcan has signed a power supply agreement with South African state electricity firm Eskom that paves the way for the construction of a US\$2.7 billion (almost R20 billion) aluminum smelter in the Coega Industrial Development Zone in the Eastern Cape.

- **Edcon**

Edcon, South Africa's largest retailer of clothing footwear and textiles recently announced that its board of directors had recommended to shareholders an offer from private equity firm, Bain Capital to acquire the entire ordinary share capital of Edcon. This announcement brought to a close a global auction process. The total value of the transaction is expected to be R25 billion.

- **ABSA Barclays**

Almost 20 years after disinvesting from South Africa, Barclays returned in 2005, buying a majority stake in Absa, one of South Africa's "big four" banks. At a cost of nearly R30 billion (£2.6 billion), this represented the biggest single foreign direct investment in South Africa and an historic deal in the financial services sector and history of South Africa.

- **Telkom's partial privatisation**

The South African Government partially privatised its national telecommunications carrier in 1997 when 30% of Telkom SA was sold to a consortium comprising SBC of the United States (18%) and Telekom Malaysia (12%), for \$1,261 billion following a domestic sale in 2001. In 2003 this was followed by a listing on the Johannesburg Stock Exchange Securities Exchange at R28 per share, and a secondary listing on the New York Stock Exchange . The share price has reached R171.00. The Government currently owns 38% of Telkom.

During 2005, the improvement in the performance and resilience of the South African economy was recognised by all three credit rating agencies, Fitch, Standard & Poors and Moody's, who upgraded the country's sovereign debt rating. Current sovereign debt ratings are reflected in Figure 5-10 below.

Figure 5-10: Sovereign debt ratings by agencies

Rating agency	Foreign Currency Long Term	Local Currency Long Term	Outlook	Rating Change
Standard & Poors	<i>BBB+</i>	<i>A+</i>	<i>Stable</i>	<i>Aug-05 (up)</i>
Fitch	<i>BBB+</i>	<i>A</i>	<i>Stable</i>	<i>Aug-05 (up)</i>
Moody's	<i>A2</i>	<i>Baa1</i>	<i>Stable</i>	<i>Jan-05 (up)</i>

Source: Bloomberg

5.3 Regulatory

5.3.1 Rail Safety and Regulatory Environment

Any prospective bidder for The Blue Train will be required to apply for a "train operator" licence in terms of Section 22 the NRSRA ("National Road Safety Regulatory Act"). A train operator is defined as a person in control of the movement and the management of rolling stock on a network. You may obtain details on the provisions for application and continuation of such licence on the Rail Safety Regulator website: www.rsr.org.za.

5.3.2 The Legal System

South Africa is a common law jurisdiction like England and the USA. While some of its laws are contained in legislative enactments, much of South African law is not codified but is based on common law sources which include case law and the decisions and writings of Roman-Dutch jurists. The Constitution, which entrenches a far reaching Bill of Rights, is however the highest law of the land and no law or government decree may supersede it.

5.3.3 Regulatory Framework

A potential bidder for The Blue Train should be aware of the fact that doing business in South Africa is much like doing business in Europe, the United States and other OEDC countries. Sanctity of contracts and equitable protection are ensured by law and disputes are resolved either by the courts (the independence of the judiciary is entrenched in the Constitution) or by private mediation or arbitration. Damages are compensatory, not punitive and freehold ownership of property by foreigners is not limited. Major legislation that affects the setting up and running of a business in South Africa will be included in the Information Memorandum and can also be accessed at the following web address: www.info.gov.za/documents.

5.3.4 Tax

Government revenues derive primarily from a residence based income tax on businesses, individuals and trusts and a 14% value added tax on nearly all goods and services. There is a capital gains tax which taxes companies at the corporate tax rate of 29% on 50% of the gain and

revenue is also raised through customs and excise duties and property transfer and estate duties. Secondary tax on companies ("STC") of 12.5% (10% from 1 October 2007 – see below) is charged on dividends declared. A successful bidder for The Blue Train might thus incur an effective tax rate on a company when a hundred percent of taxed profits are distributed of 37.8%. Branches of foreign companies are taxed at 34%, but are not subject to STC.

In the budget speech in February 2007, the South African Minister of Finance, Trevor Manuel, indicated that the STC would be replaced by a corporate tax on dividends at a rate of 10% on 1 October 2007. In 2008, this corporate dividend tax is to be transformed into a personal dividend tax, with withholding tax at a corporate level.

5.3.5 Exchange Controls

Over the past ten years the South African Government has taken steps to gradually reduce remaining foreign exchange controls which apply only to South African residents, with the intention of completely dismantling them in due course. Foreign currency for imports (import licenses are required for some goods) is freely available and foreign exchange cover is available for all foreign liabilities. Expatriates who might be employed by the successful bidder of The Blue train will thus be able to freely remit their savings abroad after paying taxes and no capital controls are applied to non-residents, who may freely invest in and divest from South Africa. This applies to both portfolio investments as well as foreign direct investments into South Africa, other than non-cash dividends and dividends of a capital nature, which require specific exchange control approval. Dividends declared in respect of shares held by non-residents are freely remittable and the proceeds from the sale of ordinary shares held by shareholders who are non-residents are freely remittable to such shareholders. Share certificates held by non-residents must however be endorsed with the words "non-resident".

5.3.6 Labour

The right of employees to strike is entrenched in the Constitution and the legislative framework which regulates the employment relationship is as provided for in the Labour Relations Act, the Basic Conditions of Employment Act, the Employment Equity Act, the Skills Development Act, the Promotion of Equality and Prevention of Unfair Discrimination Act, the Occupational Health and Safety Act, the Compensation for Occupational Injuries and Diseases Act and the Unemployment Insurance Act.

The workforce of The Blue Train is unionised and labour relations are regulated through bargaining councils. The Commission for Conciliation, Mediation and Arbitration handles labour disputes and the Labour Court handles issues such as unfair dismissals. Companies are required to pay levies to the National Skills Fund and to the Sector Education and Training Authority to fund skills development in the work force.

5.3.6.1 *Section 197 Transfers*

Section 197 of the South African Labour Relations Act provides that where a business is directly acquired as going concern, the contracts of employment of the employees of the business will be automatically transferred to the purchaser, unless an agreement to the contrary is reached with all of the affected employees.

As a result, the employees of The Blue Train will transfer with the successful bidder. In addition: (a) the purchaser will automatically assume the rights and obligations of the previous employer in respect of all employees; (b) the seller shall remain jointly and severally liable with the purchaser for claims concerning any terms or conditions of employment that arose prior to date of transfer of the business to the purchaser; and (c) the seller and the purchaser are obliged to agree and to disclose to the employees transferring to the purchaser the leave pay accrued to the transferring employees as at the transfer date, the severance pay that would have been paid as at the transfer date to the transferring employees in the event of a dismissal by reason of the employer's operational requirements and any other payments that have accrued as at the transfer date to the transferring employees but which have not been paid.

The seller will also for a period of 12 months after the transfer date be jointly and severally liable with the purchaser to any employee who becomes entitled to receive any such leave pay, severance pay and/or other payment as a result of the employee's dismissal for a reason relating to the purchaser's operational requirements or the purchaser's liquidation or sequestration. The seller will however not incur such liability if it can show that it has complied with all of the provisions of section 197.

6 Black Economic Empowerment

Broad Based Black Economic Empowerment is a core tenet of the Government's initiative to address the economic exclusion of previously disadvantaged South Africans by encouraging the redistribution of wealth and opportunities to such persons. As part of this initiative Government enacted the Broad Based Black Economic Empowerment Act ("BBBEE Act").

The BBBEE Act provides that the Department of Trade and Industry ("DTI") may issue codes of good practice ("Codes") which must as far as reasonably possible be applied by every organ of Government and by every public entity in issuing licenses, implementing procurement policies, determining qualification criteria for the sale of state owned enterprises and developing criteria for entering into public private partnerships. The Codes are intended to include qualification criteria for the purposes of preferential procurement, indicators to measure broad based economic empowerment and the weighting to be attached thereto and guidelines for preparation and publication sector specific transformation charters.

The final Codes were gazetted in February 2007 and encourages the shareholding of black entities at a target level of 25% plus 1 share. It is important to note that foreign multi-national companies will in certain instances be partially exempted from complying with the ownership requirements of the Codes.

A number of sectors within South African economy have anticipated the enactment of the BBBEE Act and the Codes and have already committed themselves to transformation charters. Section 12 of the BBBEE Act provides that the Minister of Trade and Industry must publish in the Government Gazette for general information and must promote any sector specific transformation charter if he is satisfied that such charter has been developed by the major stakeholders in that sector and advances the objectives of the BBBEE Act.

The tourism industry (The Blue Train business forms part of the tourism industry) is one of the business sectors which have developed an industry specific transformation charter. This charter was developed in line with the DTI's draft of the first phase of the but will only come into force and effect once published by the Minister in terms of section 12 of the BBBEE Act.

It is noted that under the tourism charter the target for companies in the tourism sector in relation to ownership is set at 21% by 2009 and 30% by 2014. It is important to note that these targets are not prescriptive and have no force and effect prior to the Tourism Charter being gazetted. Drafts of these documents can be obtained from the following website: www.dti.org.za.

The Board of Directors of Transnet have decided that, irrespective of the requirements of the BBBEE Act or tourism charter, potential acquirers of The Blue Train will only be considered for inclusion in the disposal process, and thus only eligible to acquire The Blue Train, if a BBBEE shareholder will hold at least 12% of the shares of the acquiring entity/consortium. This will be applied to all acquirers. The BEE shareholding/partnership need not be formally in place at the closing date for expression of interest or non-binding bid stage although it will be a necessity at the effective date of the transaction. In evaluating the bids submitted, the application of the scoring in

terms of the Scorecard will however be based on the targets and proposed application as determined in the Codes.

7 Process & timing

7.1 Overview

The disposal process will be based on the following a three phases:

The first phase is the pre-qualification phase, requiring parties to submit expressions of interest in terms of this document.

Parties that satisfy the pre-qualification criteria will move to phase two and will be required to enter into a Non Disclosure Agreement (“NDA”), and will be required to pay a non-refundable deposit of R25,000 to continue participation in the process, following which they will receive a confidential Information Memorandum on The Blue Train, affording these parties the opportunity to submit non-binding bids. On receipt of non-binding bids, a shortlist of preferred bidders will be selected on the merit of the bids submitted as assessed against evaluation criteria, details of will be included in the Information Memorandum.

Only the shortlist of bidders will move to phase three and will be given access to an electronic data room to complete a due diligence exercise, and may be invited to management representations and site visits (at the prospective acquirer’s cost) prior to finalising and submitting binding bids for adjudication prior to the successful bidder being selected, followed by the transaction closure process.

Bidders who are selected for phases two and three will receive the necessary notification and additional instructions at the appropriate time.

The submissions of non-binding expressions of interest, including the information outlined in Annexure 1, are to be delivered by no later than 12h00 on 25 May 2007:

The Standard Bank of South Africa
Corporate and Investment Banking
Standard Bank Centre
No 3 Simmonds street
Johannesburg
2001
South Africa

P O Box 613
Marshalltown
2107
South Africa

Contact: Bryan Antolik
Telephone: +27 (0)11 631 6142
E-mail: bryan.antolik@standardbank.co.za

7.2 Timetable

The potential bidders are alerted to the following key dates:

Date	Event
Phase I	
25 May 2007	Submission of pre-qualification documents and information
1 June 2007	Notification of successful qualifying potential bidders
Phase II	
1 – 22 June 2007	Successful qualifying bidders to submit signed NDA
1 – 22 June 2007	Information Memorandum provided to successful qualifying potential bidders once NDA signed
20 July 2007	Submission of non-binding bids by qualifying bidders
3 August 2007	Notification of short listed bidders
Phase III	
6 August 2007	Due diligence process begins by short listed bidders
14 September 2007	Submission of final binding offers by short listed bidders
28 September 2007	Notification of preferred bidder
31 October 2007	Sale agreement signed and transaction completion process begins

Transnet may, at its sole discretion, revise the proposed dates above. Changes, if any, will be published in the press, included in transaction documentation (example Information Memorandum) or the appropriate parties will be notified accordingly.

8 Bid criteria

The minimum qualifying criteria that bidders are required to meet in order to participate in the disposal process are:

- ability to obtain and maintain an operating licence, or plans to acquire such ability, a requirement to operating The Blue Train;
- demonstrated ability to fund the transaction, or access to such funding, as well as to ongoing operational funding; and
- inclusion, or plans for the inclusion, of an Black Economic Empowerment partner/shareholder at a shareholding level of at least 12%. The BEE shareholding/partnership need not be formally in place at the closing date of registration of interest(see below) or non-binding bid stage although it will be a necessity at the effective date of the transaction.

In addition, the non-binding offers will be assessed against evaluation criteria, details of will be included in the Information Memorandum. Whilst it is not a requirement, potential acquirers that have demonstrated experience in the hospitality and tourism industry may earn a higher scoring on evaluation of the non-binding bids submitted.

In order to facilitate the pre-qualification selection process and to demonstrate compliance with key evaluation criteria, interested parties are required to answer the questions set out in the pre-qualification questionnaire in the Annexure hereto and submit these by no later than 12h00 on 25 May 2007 (delivery details shown in section 7).

9 Disqualification

9.1 Disqualification criteria

Prospective acquirers will be disqualified from consideration in the disposal process if any of the following persons have an interest, direct or indirect, beneficial or non-beneficial, in the prospective acquirer:

- 9.1.1 directors of Transnet;
- 9.1.2 senior members of Transnet's management;
- 9.1.3 any employee of Transnet having any involvement whatsoever in the disposal process;
- 9.1.4 any employee of Transnet having any special knowledge of the business or assets being disposed of;
- 9.1.5 any adviser who provides services to Transnet relating to the disposal process; and
- 9.1.6 any person/entity who has previously held any of the positions stated in 9.1.1 to 9.1.5 above within a specified period commencing on a date prior to the submission of the non-binding offer (the "cooling-off" period referred to below).

The cooling-off period is eighteen months from the date of termination of employment in the capacity indicated in paragraphs 9.1.1 to 9.1.5 above.

The prohibition referred to in paragraphs 9.1.1 to 9.1.5 above also applies to spouses, partners or close family members of the persons referred to in paragraphs 9.1.1 to 9.1.6.

In relation to Standard Bank, the prohibition referred to in paragraph 9.1.5 shall only be applicable to Standard Bank Corporate Finance Division.

9.2 Specific safeguards

The prospective acquirers are required to take the following into account:

- 9.2.1 each prospective acquirer is obliged to fully disclose and warrant the identity of all persons having interests in the prospective acquirer and any conflicts of interest. This disclosure should be made at the time of submission of both the initial non-binding offers and final binding offers and will be repeated in any sale and purchase agreement. This should extend to:
 - 9.2.1.1 the disclosure of all persons having an interest, directly or indirectly, in each of the prospective acquirers; and

- 9.2.1.2 a positive duty to identify interests that may give rise to a conflict of interest in relation to the disposal process.
- 9.2.2 affidavits from the individuals involved in the disposal process should be deposited to, at the time of submission of both the indicative non-binding offer and the final binding offer, confirming that all the information provided by the potential acquirer in the disposal process is true and correct ; and
- 9.2.3 the sale and purchase agreement will provide for a “lock-in period” that will extend to both the prospective acquirer and all persons having an interest in the prospective acquirer relating to “no disposal”, “no change of control” and “no change of economic interest” to benefit any disqualified person as per paragraph 9.1.1 to 9.1.6 above; and
- 9.2.4 Any prospective acquirer in which an employee of Transnet, or any of its subsidiaries, who is not a disqualified person (see 9.1 above) has an interest or in which a spouse, partner or close family member of such employee has an interest, must make a sworn or affirmed declaration that:
 - 9.2.4.1 there is no conflict of interest or other corporate governance concerns for Transnet, or any of its subsidiaries; and
 - 9.2.4.2 the transparency or fairness of the bidding process is not otherwise prejudiced.

10 Enquiries

Any and all enquiries should only be directed to:

The Standard Bank of South Africa
Corporate and Investment Banking
Standard Bank Centre
No 3 Simmonds Street
Johannesburg
2001
South Africa

P O Box 613
Marshalltown
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Contact: Bryan Antolik
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E-mail: bryan.antolik@standardbank.co.za

Annexure 1

PRE-QUALIFICATION QUESTIONNAIRE

In submitting an expression of interest by 12h00 on 25 May 2007, answers to the following questions must be provided in order to facilitate the selection process and demonstrate compliance with the key qualification criteria. This information will be used to evaluate the suitability of interested parties for progression to the next phase of the disposal process. Should interested parties intend to participate in the process at any stage with more than one party (consortium or joint investment), answers to relevant questions should be provided in respect of all parties that would participate in the process.

- a) Provide the full name of participants that will participate in the bid process and hold the investment.
- b) Provide a list of the major shareholders of the bidding entity, and the ultimate parent entity of each of its major shareholders.
- c) Provide a list of the full names of directors of the bidding entity that will participate.
- d) Provide information on the source of funding for a potential investment in The Blue Train and indicate whether funds would be available for the ongoing needs of the business if required. Indicate whether funds from third parties, such as banks or shareholders, would need to be raised to fund a potential investment.
- e) Provide recent financial information such as balance sheets and income statements or annual reports and other relevant information to illustrate the financial stature of the bidding entity.
- f) Provide a corporate profile of participants in the bidding entity, including the relevant experience in the hotels and leisure sector or plans to acquire such relevant experience.
- g) Provide details of expertise, or plans to acquire such expertise, in rail operation in order for the bidding entity to meet the requirements for obtaining and maintaining a licence to operate The Blue Train.
- h) Provide details of any existing or potential conflicts of interest between The Blue Train and any business activities/investments undertaken/held by the bidding entity or its shareholders, and outline the way such conflicts would be mitigated.
- i) Outline the nature of the bidding entity's interest in The Blue Train as a potential investment and, where possible, include its vision and strategy for the investment.
- j) Details of existing or planned compliance with the requirements for black economic empowerment in line with the Codes of Good Practice for Broad Based Black Economic Empowerment and specifically Transnet's requirement for at least a 12% of the issued shares being held by a BEE partner/shareholder/s of the acquiring entity, consortium or joint investment.

- k) Outline how the bidding entity would manage / oversee its investment in The Blue Train.
- l) Describe the attributes and skills present in the bidding entity and/or its shareholders that would add value to The Blue Train.
- m) Provide details of the approval process required for the bidding entity to undertake this investment. In addition, to the extent that there are any constraints on the ability to complete a transaction within the purported timeframe, please provide an indication of these constraints.